

Message Text

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PAGE 01 MEXICO 07658 291338Z

63

ACTION EB-07

INFO OCT-01 ARA-10 IO-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 TAR-01 INT-05 DODE-00 PA-02 PRS-01 /110 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9661

INFO TREASURY WASHDC

USMISSION GENEVA

AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

AMCONSUL MAZATLAN UNN

AMCONSUL MERIDA UNN

AMCONEUL

AMCONSUL TIJUANA UNN

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E.O. 11652: N/A

TAGS: EFIN MX

SUBJ: TAX MEASURES TO REDUCE TRADE DEFICIT.

REF: MEXICO A-298; MEXICO 6257.

1. GOM ON AUGUST 27, ANNOUNCED NINE TAX MEASURES TO BOOST EXPORTS AND REDUCE IMPORTS. THESE MEASURES ARE TO IMPLEMENT PROGRAM ANNOUNCED ON JULY 12 AND REPORTED IN REFS A AND B. MEASURES ARE DESCRIBED IN PARAGRAPHS 2-10.

2. DECIS OR CERTIFICATES FOR REBATE OF INDIRECT TAXES TO EXPORTERS WILL BE GRANTED TO FIRMS WHEN NATIONAL COMPONENTS ACCOUNT FOR 99 PERCENT OF EXPORTED ITEM. PREVIOUS MINIMUM WAS 50 PERCENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MEXICO 07658 291338Z

FOR EXPORTS OF WHICH DOMESTIC COMPONENTS ACCOUNT FOR 40 TO

49 PERCENT OF FINAL TSCRLE REBATE IS FOR 50 PERCENT OF INDIRECT TNDK WHEN DOMESTIC COMPONENTS ACCOUNT FOR 50-59 PERCENT OF FINAL PRODUCT, 63.6 PERCENT OF INDIRECT TAXES REBATED AND FOR EXPORTS OF WHICH 60 PERCENT OR MORE OF VALUE IS ACCOUNTED FOR BY DOMESTIC COMPONENTS, REBATE IS 100 PERCENT. PRODUCERS OF CONTAINERS USED FOR PACKING EXPORTS WILL ALSO BE ELIGIBLE TO RECEIVE REBATES. THE IN-BOND ASSEMBLY PLANTS (MAQUILADOREAS) WILL BE PERMITTED TO INCLUDE MACHINERY IMPORTED TEMPORARILY AS PART OF THEIR DIRECT COSTS FOR COMPUTING THEIR ELIGIBILITY FOR CEDIS.

3. MANUFACTURERS WHO SELL GOODS IN FRONTIER AREAS AND TOEHR DUTY-FREE ZONES WILL BE ELIGIBLE FOR REBATES OF (UNDEFINED) TAXES IF THEIR SALES IN THESE ZONES INCREASE 15 PERCENT PER YEAR.

4. PROGRAM OF TAX INCENTIVES FOR COMPANIES ORGANIZED TO PROMOTE EXPORTS MODIFIED TO PERMIT REBATE OF INDIRECT TAXES UP TO 60 PERCENT OF VALUE OF EXPORT PROMOTION PROGRAM. THIS PROGRAM MUST BE APPROVED BY MINISTRIES OF FINANCE AND COMMERCE AND FOREIGN TRADE INSTITUTE.

5. A SIMILAR PROGRAM IS ESTABLISHED FOR CONSORTIUMS THAT PRMOE EXPRT OF MEXICAN TECHNOLOGY AND SERVICES.

6. TAXES ON EXPORTS WILLELIMINATED EXCEPT FOR THOSE ON MINERALS (PURPOSE OF WHICH IS TO AID MEXICANIZATION OF MINING COMPANIES), GOODS WHICH ARE NOT PRODUCED IN ADEQUATE AMOUNTS TO SUPPLY DOMESTIC REQUIREMENTS, OR CAN BE SOLD ABROAD IN SPITE OF TAX, AND GOODS FOR WHICH THERE IS CULTURAL INTEREST IN KEEPING IN MEXICO.

7. MACHINERY IMPORTS FOR USE IN PRODUCING EXPORTS WILL BE ELIGIBLE FOR SUBSIDY EQUAL TO 75 PERCENT OF IMPORT DUTY. THIS PORTION OF IMPORT DUTY WILL BE FORGIVEN IF EXPORTS OVER TWO-YEAR PERIOD ARE FOUR TIMES VALUE OF IMPORTED MACHINERY. SIMILAR IMPORTS FOR USE IN PRODUCING CAPITAL GOODS FOR DOMESTIC MARKET WILL BE ELIGIBLE FOR SUBSIDY OF 60 PERCENT OF IMPORT DUTY.

UNCLASSIFIED

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PAGE 03 MEXICO 07658 291338Z

8. TEMPORARY IMPORTS FOR USE IN PRODUCING GOODS FOR EXPORT WILL BE FACILITATED. TO BENEFIT FROM "TEMPORARY" IMPORT CLASSIFICATION NATIONAL COMPONENT OF EXPORTED GOODS MUST BE ONLY 20 PERCENT INSTEAD OF 40 PERCENT. GOODS MAY REMAIN IN COUNTRY ONE YEAR WITH POSSIBLE ONE-YEAR EXTENSION WITH GUARANTY PAYMENT OF 40 PERCENT OF POTENTIAL DUTY.

9. MEXICAN MARITIME INTERESTS WILL BE ELIGIBLE FOR A

FULL REBATE OF FEDERAL TAXES IF THE REBATE IS USED
TO MODERNIZE AND EXPAND SHIPPING FLEETS.

10. GENERAL IMPORT TARIFF IS BEING RAISED EXCEPT FOR
RAW MATERIALS NECESSARY FOR ECONOMIC DEVELOPMENT AND
CONSUMER AND CAPITAL GOODS NEEDED TO SATISFY THE MOST
URGENT NEEDS OF POPULATION. AMONG THESE ARE GOODS USED
IN AGRO-BUSINESS, SOME MINERALS, STEEL AND IRON BARS,
AND BASIC CHEMICALS. ZERO AND 5 PERCENT TARIFF RATE NOT
CHANGED. MOST OTHER RATES RAISED ONE THIRD TO ONE HALF
OF PREVIOUS RATE, WITH 75 PERCENT RATE MOVING TO 100 PERCENT MUST
BE KEPT IN MIND THAT THESE DUTIES ARE IN ADDITION TO STRICT
PRIOR IMPORT PERMIT REQUIREMENTS.

11. ABOVE INFORMATION TAKEN FROM NEWSPAPER REPORTS FROM
TREASURY HANDOUT. DECREES BEING PUBLISHED IN DIARIO
OFICIAL ON AUGUST 28, TO TAKE EFFECT AUGUST 29. UNDER-
SECRETARY OF INDUSTRY TOLD PRESS THESE MEASURES WOULD
SUBSTITUTE FOR ONE BILLION DOLLARS OF IMPORTS IN "SHORT
TERM" AND CREATE 100,000 NEW JOBS.

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